E-Commerce M&A Forecast

February 2023

Confidential

E-Commerce Software M&A Deal Volume Increased 35% in 2022 and Further Growth is Forecast for 2023

Source: S&P 451 Research M&A KnowledgeBase

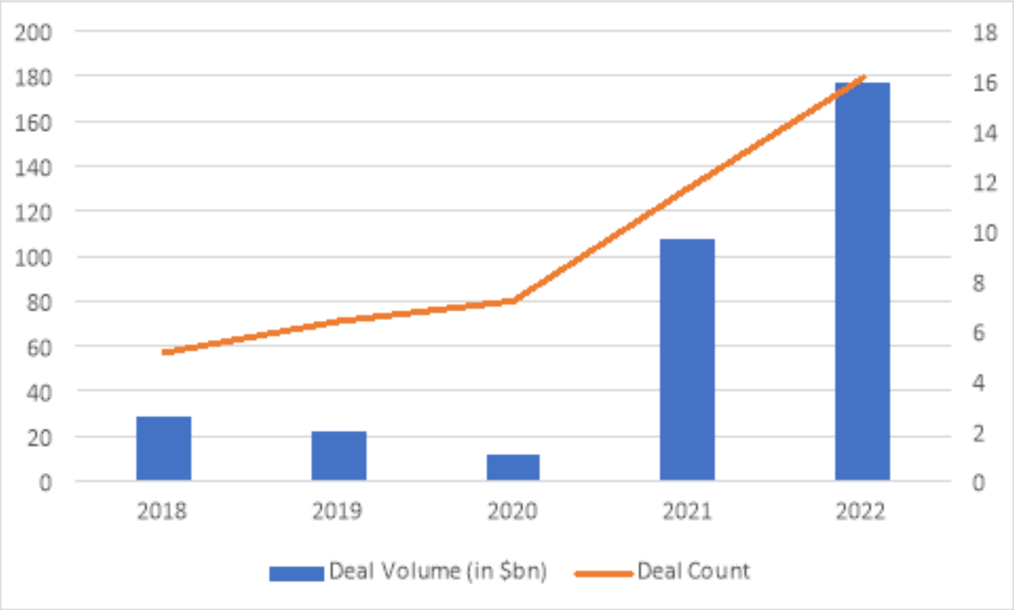
What's Coming in 2023 for M&A in E-Commerce Software?

- Acquisitions of E-Commerce software companies have continued to increase exponentially since 2018:
  - *3x the number of transactions in 2022*
  - *Over 4x total spending on acquisitions*

- In 2022, acquirers spent more than 1.5x more than they did in 2021 on acquiring companies in the E-Commerce sector, and recent analysis of the projected spending on digital commerce technologies show this sector is forecast to achieve the biggest increase of any operational segment in the cloud by a longshot as we continue to see more buyers doing more of their shopping online.

- As consumer spending slows, it's more important than ever for companies to nail the customer experience online.

E-Commerce Software Company Acquisitions Have Tripled Since 2018

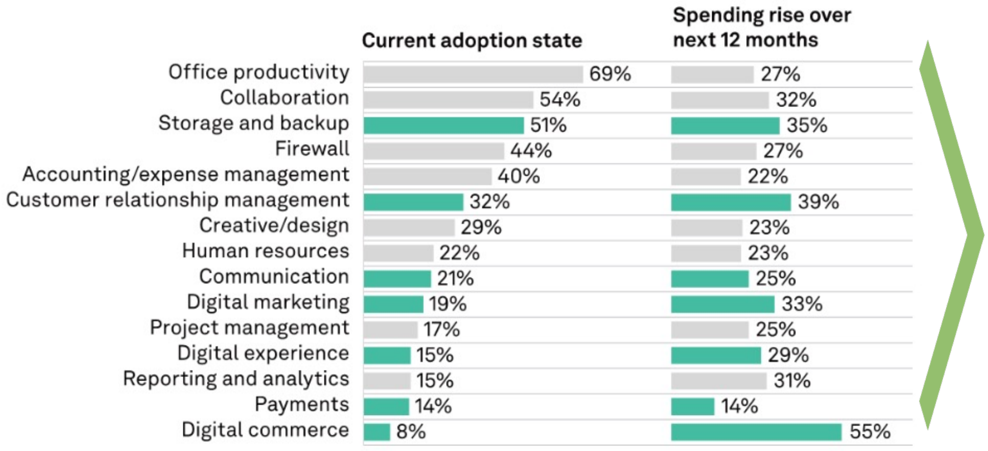


E-Commerce and adjacent software companies will continue to see increased interest by buyers in 2023

451 Research M&A KnowledgeBase

Spending on Digital Commerce Technologies is Projected to Soar

- Given the decline in valuations of public SaaS companies (that analysts view as a return to normal), we are likely to see fewer big transactions in the top end of the market this year.
- However, there remains record levels of dry powder among private equity firms and a surplus of excess cash among growth-focused upper middle market companies.
- Buyers remain committed to their acquisition strategy to boost organic growth, increase market share, fill technology gaps, and enter new markets.



Spending on Digital Commerce is forecast to be over 40% more than the next highest category

Source: 451 Research's Voice of the Customer: Macroeconomic Outlook, SME Tech Trends, Cloud Adoption 2022

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Notable Transactions in 2022 Include:

- Thoma Bravo / Sunstone Partners' acquisition of machine learning (ML) SaaS company, User Testing, Inc., for $1.14B at 5.3x EV/Revenue
- EQT Private Equity's acquisition of Billtrust for $1.56B at 8.3x EV/Revenue
- Insight Venture backed CommerceHub's acquisition of SaaS E-Commerce and marketing firm ChannelAdvisor for $712.28M at a 3.8x EV/Revenue valuation
- Global Payments' acquisition of payment processing SaaS and services company EVO Payments for $1.76B at 7.5x EV/Revenue
- TPG Capital's acquisition of online marketing and E-Commerce software company Change Healthcare for $2.2B
- Brookfield Business Partners' acquisition of omnichannel retail commerce and auto dealership management SaaS company CDK Global for $6.41B at 4.8x EV/Revenue
- Shift4 Payments' acquisition of payment SaaS and ML company Finaro for $525m

*S&P Global Market Intelligence report December 2022

2023 Trends in Commerce & Customer Experience:

1. We will see more brands experiment with metaverse strategies for brand building and there will be an overall increase in the creation of more interactive and immersive experiences that focus on brand building and customer engagement.
2. Social commerce and service technologies will become even more deeply integrated into businesses' unified experiences through additions like live-stream shopping (already a multibillion-dollar market in Asia-Pacific), purchasing through social media via online stores on Instagram, TikTok, and Meta/Facebook, customer service via social media, and more.
3. Displacing the titans: newer social media platform TikTok is making a big push into E-Commerce, most notably, fulfillment, taking direct aim at Amazon.
4. As cookies are phased out, first party data (i.e., data voluntarily provided to a company by a user) will become the best source of information.
5. User Trust: Recent surveys have shown that over 50% of users say the ability to opt in or out of tracking features like cookies or location services would strongly influence their loyalty to a business.
6. Marketers will shift ad dollars to digital as the number of connected devices in homes continues to grow. OTT (over the top media services are offered directly to consumers via the Internet) will be a major contributor to ad revenue lift in 2023 (Kagan Research place U.S. streaming video advertising revenue for 2023 at approximately $34.2 billion, an increase of $3.6 billion or 12% over estimated revenue for 2022).

*S&P Global Market Intelligence report December 2022

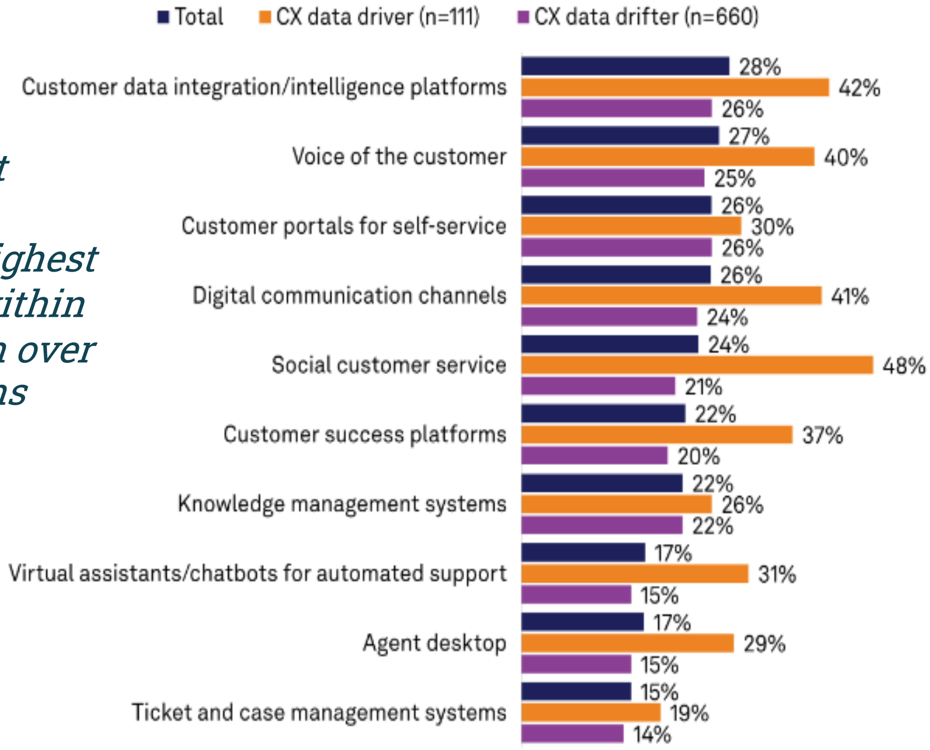
2023 Trends in Customer Experience & Commerce:

7. Service is more important than ever to improve retention and increase revenue from existing customers. In an uncertain market, existing customers are vitally important – it is far more cost-effective to retain customers than to add new ones. Service and Contact Center departments will invest in new tools that help to understand intent, turn emotion into loyalty, and turn the voice of the customer into real-time feedback, allowing companies to make data-driven decisions on the best ways to meet customer needs. The very best companies will be taking pro-active steps to maintain customer loyalty before any issues arise.
8. Businesses will shift to measuring “total experience” (TX). TX recognizes the intersection of employee and customer experiences: if managed well, this helps engaged employees to be brand advocates and to be empathetic and effective in their roles, creating a better customer experience (CX). Demand for CX applications will remain strong for 2023.
9. With continued inflation and tighter budgets, it’s possible that vendors across a variety of sectors will reprice and repackage their offerings. If this does begin to roll out across this market, analysts predict this will result in a consolidation of vendors through a wave of M&A.
10. Investors are speculating that the customer success segment will prove counter-cyclical, reasoning that if the economy slows, retaining revenue from existing customers will be more critical than ever.
11. Experiences are the currency of the digital economy and are even more essential as both businesses and consumers shift to subscription-based models rather than buying products outright.

*S&P Global Market Intelligence report December 2022

The Future of Customer Service Is Intelligence at Every Step – Listen, Personalize, Empathize, Automate, Engage, And Learn

Technologies that respondents anticipated the highest investments in within their organization over the next 12 months*



*S&P Global Market Intelligence report December 2022, Voice of the Enterprise Customer Experience & Commerce (n=782 Respondents)

What Should Shareholders be Considering?

- Given the increased interest in the E-Commerce and adjacent software markets in 2023, shareholders can expect to receive unsolicited interest in potential acquisition of their company.
- Before getting too far along in a conversation, it's important to talk to an advisor to determine whether the timing is optimal to explore conversations like this, your current range of market valuation (i.e., the range of offers you would expect to receive from potential buyers), and if the timing is right, whether you want to explore conversations with additional potential buyers.
- The experienced advisors at Tequity can help you understand the metrics that are key for buyers in this market.
- The best way to create leverage in an M&A transaction is by bringing multiple buyers into the deal to submit competitive offers. This helps shareholders to be satisfied that they got the best outcome possible with the right buyer.
- If the decision is made to wait, and to continue to focus on growth, Tequity's advisors can outline the steps you can take now to be more prepared for a future M&A event.

Summary

As spending slowed in 2022, the stakes for getting the customer experience right are higher than ever. Offering customers a variety of options from omnichannel experiences and personalized service to payment methods is critical for delivering a frictionless and enjoyable experience. Each great experience customers have helps to solidify their loyalty and creates an ambassador for the provider naturally.

E-Commerce and Adjacent Market Software Companies will Continue to be in Great Demand in 2023 - Is the Time Right for You?

If you have been considering acquisition by a large strategic organization to take some chips off the table and accelerate your company's growth, we can provide information on timing, preparation, metrics, and valuations.

Let's schedule a call.

THANK YOU

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